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Editorial

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First of all, I am delighted to announce the winners of the two Best Paper Awards for articles published in *Financial Markets and Portfolio Management*. For the year 2008, the "*FMPM Best Paper Award*" goes to Allan A. Zebedee, Eric Bentzen, Peter R. Hansen, and Asger Lunde in recognition of their article titled "The Greenspan years: an analysis of the magnitude and speed of the equity market response to FOMC announcements". The article appeared in the 1st issue of volume 22 of FMPM. The "*Swisscanto Award for the Best Professional Paper in FMPM*" for the year 2008 goes to Reinhold Hafner and Martin Wallmeier in recognition of their article titled "Optimal investments in volatility". The article was published in the 2nd issue of volume 22. We congratulate the winners for their outstanding contributions!

In the first article of this issue, Ernst Konrad investigates the effect of monetary policy surprises on the volatility of several European stock and bond markets. To determine the impact of unexpected monetary policy announcements on volatility, he uses decisions by the Federal Reserve Board and the European Central Bank (before 1999, the Deutsche Bundesbank) in his model based on the Taylor rule. He finds a robust effect of FED policy surprises on stock market volatility and a less robust effect of ECB surprises on bond market volatility.

Michael Steiner analyzes the predictability of risk premia for the US and Switzerland. He includes market, value, size, and momentum premia estimations. Testing a wide range of predictive models, he contributes new insights to the discussion to what extent risk premia are predictable and questions whether predictability of risk premia is a finding that is robust across different countries.

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In the third article of this issue, Burkart Mönch models liquidation strategies for large stock positions in illiquid markets. He presents a new approach taking into account several empirical findings regarding intra-day market liquidity.

In this issue's fourth article, Marc Ryser and Stefan Denzler test several credit risk modeling approaches using a large database of 50,000 debtors. Their empirical analysis includes linear regressions, logit and probit models, recursive partitioning, random forest, and neural network models. Not surprisingly, the more complex non-parametric models tend to overfit the data and lose their predictive advantage out-of-sample, showing that the model choice may actually be of secondary importance in discriminating between good and bad borrowers.

The book review in this issue is authored by David Oesch and discusses the book titled "Behavioral Finance for Private Banking" by Thorsten Hens and Kremena Bachmann.

Finally, I would like to draw your attention to a call for papers in this issue. We seek submissions for an *FMPM Special Issue on "Credit Risk"*. Deadline for submissions is September 1, 2009. We welcome your contribution!